

Task Force review of Bookstore

Report Recommends Outside Contract

"A satisfactory contract with an outside company" is the main recommendation of the Task Force to Review SGWU Bookstore Operations. The outside contract "would provide a clean break from the present arrangement, and clearly demonstrate whether a bookstore at SGWU can in fact operate without loss," says the report.

William Kaven, Associate Professor of Management, William Reay, Treasurer, and Graham Martin, Director of the Computer Centre were named to the task force in October by Vice-Principal Administration and Finance John Smola. Their report is being presented to the Board of Governors today by its Operating Services Committee.

Here is the full text of the report:

Introduction

The bookstore at SGWU has become in the past two years the subject of considerable controversy in the University community. The fact that such controversy is virtually endemic throughout the world of higher education is of little comfort to the students, faculty, administration, or bookstore personnel at SGWU.

The Vice-Principal, Administration and Finance, has appointed a bookstore task force to assess the operation of the SGWU bookstore according to economic and business criteria. While the task force recognizes that ideally the SGWU Bookstore should serve a very wide range of needs in the University community, it has deliberated in awareness of one serious constraint: **It is a requirement of the Government of Quebec that any university bookstore pay its own way.** This fact gives rise to the following considerations:

1. Since there can be no financial losses, any risks that could generate such losses must be either eliminated or transferred.
2. The essential function of the SGWU bookstore is to sell text-books as economically as possible for a reasonable period of time as various courses get under way, and arrange to fill subsequent textbook orders. Any additional functions must be viewed in the light of this prime function.
3. Any excess of income over total expenses (including rental and occupancy charges as prescribed in the province) should accrue to the benefit of the students -- not to the benefit of the University. Such an arrangement seriously limits the ability of the University to accumulate funds to offset future losses, or to engage in risk ventures.

In the light of these considerations, we would set out in order of priority the following objectives for the bookstore:

1. To provide a textbook service to the University community;
2. To break even financially;
3. To offer as efficient a service as possible;
4. To engage in other activities that support the first objective and also benefit the University community.

It is not the function of this task force either to place blame or to absolve from blame. If it has sought to determine the causes of present problems, it has done so in order to recommend a viable course of action that will resolve these problems to the benefit of the University as a whole.

Similarly, we have largely excluded from our consideration the incidents and activities of the past two years, concentra-

ting on the development of a continuing program for solvent and useful operation.

II. Analysis of the problems

- A. The SGWU situation, as it now exists, is a result, to a varying degree, of a number of problems:

1. The financial limitations on acquiring and designing a single ideal, low-cost university bookstore operation is the basic problem and has produced further problems resulting in sustained controversy.
2. University bookstores generally have to organize for an uneven selling period. This is particularly critical at SGWU, where half the volume of textbook sales occurs in one month of operation, and as much as 80 percent in the first three months. This must be seen in the light of the fact that textbooks account for over half the total of bookstore sales.
3. SGWU, being a downtown, not a campus, university, has a bookstore clientele which frequently finds it more convenient to purchase all but textbooks elsewhere. This reduces the sale of non-textbook items, a source of regular and considerable profit to campus-type bookstores.
4. Many other university bookstores benefit from arrangements whereby they occupy their premises rent-free or for a minimum rent. Also, they have much of their clerical work done elsewhere in the university without charge. This has not been possible at SGWU. As a result, the bookstore has not been able to offer those discounts that could have offset criticism of other aspects of its operation.

5. There are unique problems attendant on the sale of textbooks, problems that of course affect all university bookstores. They are: a) the low gross margin (20%) from which to meet all expenses including transportation and return costs; b) the varying publishers' policies on returns, some only 20% of the initial order; c) a publisher's monopoly of given texts, coupled with frequent issuance of new editions and the rapid obsolescence of certain texts.
6. The bookstore management has had the greatest difficulty persuading many members of faculty to send in their lists of required books in time to place its orders efficiently.
7. The bookstore management has established ordering policies that, as the state of the inventory shows, have not taken into account the constraints of its financial position.

8. The reports of the expert consultants who studied the bookstore operations this past summer show a serious absence of procedures for inventory control. There is in fact an inventory position greatly out of line with sales in all areas, with a resultant high potential loss for the University.
9. There has been an absence of other necessary controls relating to both staff activity and financial management. This has been due in part to the absence of frequent profit and loss statements and other data essential for efficient operation.
10. There is considerable dependence upon shipments from outside Ca-

nada, with attendant problems of copyright, distribution rights, re-shipments from Canadian distributors, return privileges, and difference in U.S. and Canadian prices.

11. Past efforts to solve the difficulties of the bookstore have not faced the possibility that major surgery may be needed because of the intractable nature of specific problems. Attention has generally been directed to symptoms rather than causes, and to controversy about secondary issues. The management of the bookstore, attempting to serve its various advisers, critics, and masters, has in certain instances added to the pressure arising from its basic financial problems.

- B. The bookstore sells five different categories of goods:

1. **Textbooks** - basically the books and manuals required or recommended for the courses;
2. **Technical supplies** - the materials and supplies required for courses, especially specialized items for the Fine Arts and Engineering programs;
3. **School supplies** - writing instruments, notebooks necessary for lectures and assignments, etc.;
4. **Trade books** - hard-bound and paperback books purchased generally for the personal use of students and faculty;
5. **Novelties** - cushions, jackets, pennants, and other similar items usually carrying the university insignia.

Of these categories virtually all but textbooks (category 1) and certain special items in category 2 are readily available elsewhere, or (category 5) enjoy a very limited demand. As a result, sales in categories 3, 4, and 5 have been light, resulting in costly problems of overstock and obsolescence.

- C. Bookstore operations have been carried on in four locations:

1. **Main store**, Bishop Street. sq. footage: total 7084, selling 3000. sales volume: \$346,586.
2. **The Paperback store**, on the mezzanine of the Hall Building. sq. footage: total 1988, selling 1500. sales volume: \$ 44,101.
3. **The High School Bookstore**, located on the third floor of the YMCA on Drummond Street (closed down November 1, 1969). sales volume: \$ 57,076.
4. **Birks Hall**, textbook operation, open for four weeks. sq. footage: total 3573, selling 2890. sales volume: \$342,237.

This scattering of locations, none of them really suitable, has resulted in an extremely costly and diffused operation. Manning three stores means three staffs instead of the single, coordinated staff that would man a central store. According to the expert consultants the following additional costs and problems result from this situation:

- Costs**
1. Frequent transfer and handling within the University;
 2. Duplicated inventory between stores;
 3. Additional record-keeping.

- Problems** 1. Danger of errors resulting

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- from poor communications;
2. Delays in intra-University transfers;
 3. Difficulty maintaining tight operating controls.

It should be noted that the imputation for space (\$32,700 for 1969-70) appears high in relation to the net selling space.

- D. The overall cost of selling is too high. This was noted by the consultants' reports even in relation to the American average. The problem results largely from the diversity of locations and the long hours of business which the bookstore management decided was required to meet the needs of the SGWU community. But even in these circumstances we would question the need for the size of the present staff, consisting of over 20 full-time employees, five of them occupying managerial positions. Though in the view of the consultants salaries are not out of line with the industry average, the salaries budget exceeds \$100,000 apart from part-time help. Such a budget should be viewed in the light of the concentration of selling activity at the beginning of the academic year and in a single temporary location. We would add that no data are available on the volume of sales according to time periods.

- E. Inventory is largely responsible for the poor financial performance of the present operation. Inventory is high in all areas, and is not turning over frequently enough; a commercial operation would require a turnover of four to six times a year to break even. Apart from the textbook inventory, an excessive amount of capital is tied up in other slow-moving items more appropriate to campus bookstores than a downtown university. Inventory control systems are inadequate.

continued

Report Recommends... continued

quate, and there is a resultant lack of detailed reports on inventory movement, reports which could be used to analyze sales performance. Poor selling figures and the scattering of locations add to inventory problems.

Any solution other than continuation of the status quo will demand the disposal of inventory under what can only be unfavourable conditions. The size of the loss will depend greatly on how realistically the present inventory has been costed, and it may well be desirable to have an independent evaluation of the inventory before any final arrangements are made for future operations.

III. Possible solutions

In the light of these fundamental and created problems we have considered a number of possible solutions:

1. Status Quo

The University maintain the status quo with minor modifications to improve financial results. We discarded this in view of a) the substantial losses recorded in the past two years; b) the lack of significant improvement in the inventory situation despite write-off sales and other efforts by the management; c) the great drawbacks of the present main location; d) the poor economic sales record of the paperback store. However, this solution would minimize inventory loss.

2. Abandonment

The University withdraw completely from any sort of bookstore operation in the hope that private booksellers will fill the need for books, supplies, and other items. This would be an abdication of the basic responsibility, a last resort decision.

3. Contracted Bookseller

The University turn over the bookstore operation to a qualified bookseller who would:

- operate the store and provide the service desired for profit;
- pay a prescribed monthly occupancy charge to the University;
- pay a percentage of sales into funds for the students' benefit;
- or meet whatever other advantageous arrangements can be concluded on behalf of the University.

4. Modified Operation

The University continue to operate a bookstore, making the major changes in space, personnel, inventory, and service needed to eliminate losses. This could result in the closing of certain locations, reducing the range of goods offered for sale, or limiting the hours or periods of service. It would be the responsibility of bookstore management to ensure a no-loss situation within the rules of operation finally determined. We believe that only major surgery will give it the possibility to do this. We also believe it essential that management have final control, related to its financial responsibilities, for textbook ordering and availability.

5. Cooperative

The University community, including students, faculty, and alumni, create a cooperative enterprise to serve as university book-

store. Space and occupancy charges, as required by the provincial government, would have to be paid. All financial losses would be sustained by the cooperative, not the University. We are doubtful that this is a viable solution at the present time in view of the unsatisfactory condition of the bookstore operation. Also the record of university cooperatives is not encouraging. It would, however, be a possibility to be considered if there were a strong, responsible demand for such an undertaking.

IV. Conclusions and recommendations

Out of these alternatives we recommend the following solutions in order of priority:

1. Contracted Bookseller

A satisfactory contract with an outside company would provide a clean break from the present arrangement, and clearly demonstrate whether a bookstore at SGWU can in fact operate without loss. Financial risks would be borne by the outside company, and there is the possibility of a profit to be channeled into student activities. Such a contract would also provide the basis for orderly liquidation of the present large inventory, and working capital now tied up in inventory would be released. To set against this, there would admittedly be some loss of control over the operation; there could be difficulty securing satisfactory liaison between faculty and the bookstore management; and it is probable that present services would be reduced. However, the outside company would have to contract to provide an acceptable textbook service.

It is generally agreed that inventory levels are far too high for a store with its present sales volume. Should the bookstore remain a University operation, we believe that substantial losses would be incurred in reducing inventory to its proper level. However, if the operation were turned over to an outside firm, it is hoped that some of our inventory could be sold through other outlets of that firm, its more extensive operations bringing the University a larger return on inventory liquidation than it might otherwise negotiate.

We believe that the bookstore will operate most efficiently under the constraints of the need to make a profit -- or at least to avoid losses. From the motivations of such a system will emerge the necessary basic business practices and controls that currently are absent. We recognize that the outside seller contracting with the University must be carefully selected so that the University community is properly serviced.

After the various piecemeal attempts to settle the bookstore's problems, we strongly favour creating a fresh start through the major changes outlined above.

2. Modified Operation

Should it not be possible to make suitable arrangements with an outside bookseller, we believe the following University operation would meet basic needs

and be manageable within the financial requirements we have to meet.

Major non-textbook operations would be abandoned; textbook operations would be limited to the present location on the mezzanine of the Hall Building.

Textbook sales would also be conducted by the University for a period of about six weeks at the beginning of the term in Birks Hall. At the end of this period, Birks Hall operations would be terminated, the bulk of unsold books being returned to the publisher or his distributor.

A modest inventory of most textbooks would be carried in the mezzanine store. Upon exhaustion of this stock, textbooks could be ordered through the bookstore with the understanding that the purchaser pay the incoming postage.

A small ancillary stock of supplies and magazines could be carried if this seemed desirable.

The students' associations would be offered the opportunity to take over the sale of novelties, notably imprinted items, including the purchase for disposal of the existing stock.

Concluding Note

Our solutions are proposed in the light of present circumstances, in particular the availability of locations. Certain changes in such circumstances which might take place in future would require a major review of the situation, notably the establishment of a semester system, the conclusion of an agreement with Loyola, or the availability of space for a large, modern, and efficient bookstore. In addition, we believe it essential that a task force similar to our own, divorced from actual responsibility for the store, conduct a searching review annually of its operations, if the bookstore continues to be operated by the University. Should it be handed over to an outside bookseller, the review would consist of a study of the financial data made available.

William H. Kaven
W.M. Reay
Graham Martin

Change half courses Jan. 5-9

Registered students may add, drop or exchange second term half courses (2) Monday, January 5 to Friday, January 9 from 9:00 a.m. to 8:30 p.m. at room N-203.

No course additions will be made after these dates.

Arts Faculty

Council to Add More Students

At its meeting on Friday, December 5, the Arts Faculty Council accepted three out of four proposals of a task force chaired by Professor John Jackson relating to student representation. The result will be to increase student representation to: the president of the Arts Students Association, the Arts representative of the Evening Students' Association, three elected Arts student representatives, three elected Arts evening student representatives.

Student representatives will have to be Arts students in good standing who have completed eight course credits and have spent one year as a student at SGWU. Elections will be the responsibility of the SA and the ESA or "any more appropriate student association that may replace them." The term of office will be from June to June, with elections taking place as late in the second term as practical.

The fourth recommendation regarding the seating of students on standing committees was sent back to the task force for further study. Members of the Council were concerned about the amount of time the necessary regular attendance at committees would require from students; all three committees - Budget, Curriculum Planning and Academic Priorities - meet at least once a week. There was also some discussion about the problems the timing of meetings might create for evening student representatives.

Library Open Dec. 29-30

The Main Library in the Norris Building will be open during the Christmas holidays on December 29 and 30 from 1 p.m. to 9 p.m. for circulation and study service.

Also, in accordance with the recently established practice, the Library will be open on Sunday, December 21 and January 4 from 10 a.m. to 6 p.m.

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Michael Sheldon
Malcolm Stone
Joel McCormick

Academic Appointments

Jack Bordan, Acting Vice-Principal Academic, has announced the following appointments:

Asst. Prof. J. L. Hill - Acting Chairman, Department of History, effective November 1, 1969, through May 31, 1970.

Assoc. Prof. F.R. Chalk - Acting Vice-Chairman, Department of History, effective November 1, 1969, through May 31, 1970.

Asst. Prof. F. H. Krantz - Acting Vice-Chairman, Department of History, effective November 1, 1969, through May 31, 1970.

Assoc. Prof. S. McDonough - Acting Chairman, Department of Religion, effective November 1, 1969, through May 31, 1970.

Assoc. Prof. A. Berczi - Acting Dean, Faculty of Commerce, effective January 1, 1970, through June 30, 1970. (This appointment to replace Dean Gunther Brink who has been given a leave of absence for the period.)